

Members

Rep. John Frenz, Co-Chairperson
Sen. Luke Kenley, Co-Chairperson
Rep. Eric Turner
Sen. Lindel Hume
Sandra Bickel
Joe Breedlove
Daniel Clark
Amy Corsaro
Deborah Driskell
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S. Michael Hudson
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Patrick Kiely
Joseph Loftus
Joseph Minnis
J. Daniel Philpott
Bill Roach
Jason Shelley
Don Strietelmeier
John Taylor
Thomas Taylor
Ernie Wiggins
Louis Zickler



PROPERTY TAX REPLACEMENT STUDY COMMISSION

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MEETING MINUTES¹

Meeting Date: July 28, 2004
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington St.,
Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Rep. John Frenz, Co-Chair; Sen. Luke Kenley, Co-Chair; Sandra Bickel; Joe Breedlove; Daniel Clark; Amy Corsaro; Deborah Driskell; Phil Hoy; Mike Karickhoff; Patrick Kiely; Joseph Loftus; Joseph Minnis; J. Daniel Philpott; Bill Roach; Jason Shelley; Don Strietelmeier; Thomas Taylor; Ernie Wiggins; Louis Zickler.

Members Absent: Rep. Eric Turner; Sen. Lindel Hume; Les Fox; S. Michael Hudson, John Taylor.

I. Call to Order

Sen. Luke Kenley, Co-Chairperson, called the meeting to order at 1:15 P.M.

II. Public Testimony

Sen. Kenley introduced Mr. Mark Lawrance, Vice President of Corporate Development for the Indiana Chamber, to testify.

Mr. Lawrance discussed with the Commission the origin of the COMPETE study conducted by

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

the Chamber to improve local government efficiency. He then introduced Mr. Cris Johnston, from Crowe Chizec to give a more in depth analysis of the results of this study.

Mr. Johnston distributed a PowerPoint presentation (Exhibit 11) highlighting several of the recommendations resulting from the COMPETE study (Exhibit 12).

The Commission discussed the following topics with Mr. Johnston:

- the difficulty in comparing different entities administrative costs;
- percentage of property tax savings for each recommendation if they were implemented;
- overall property tax savings if all recommendations were implemented; and
- balancing of savings versus services provided by local government to taxpayers.

Sen. Kenley next recognized Ms. Carolyn Portwood from the town of West College Corner to testify.

Ms. Portwood discussed the impact of the property tax restructuring on her 16 rental properties. She talked about the unique situation in West College Corner since it straddles the Ohio/Indiana border. She discussed Ohio's approach to property taxes versus the approach Indiana has taken in recent years. Ms. Portwood presented Ohio's use of sales tax on services as a possible alternative for Indiana to decrease property taxes.

The Commission discussed with Ms. Portwood the following issues:

- the higher sales tax rates in Ohio;
- accountability for school district spending;
- losing Indiana renters and consumers to Ohio; and
- raising other taxes to supplement a decrease in property taxes.

Neil Bulla testified before the Commission. He told the Commission that he owns a farm in Union County, Indiana and one in Preble County, Ohio. His Indiana property taxes are twice as high as his Ohio taxes. He indicated that the problem was primarily due to the Union County School Board and its tax rates.

III. Discussion of the Commission's Work Plan

Sen. Kenley reviewed Exhibits 1 through 10 prepared by the Legislative Services Agency with the Commission. The exhibits were discussed in the order listed below.

1. Selected Property Tax Replacement Options
2. Replacement of Select Property Tax Levies
3. 2003-2006 School General Fund Net Levies
4. 2003-2006 County Welfare Net Levies
5. 2003-2006 Estimated County Court Net Levies
6. 2006 Business Personal Property Net Levies and Local Option Income Tax (LOIT) and Local Option Sales Tax Rates Needed to Replace Property Tax Levies for Business Personal Property
7. Memorandum Re: Fiscal Impact of Property Tax Circuit Breakers
8. Memorandum Re: Explanation of State Funded Property Tax Replacement Credits
9. State PTRC and Homestead Credits
10. History of ERA Abatements, Enterprise Zone Credits, and TIF Property

Sen. Kenley and Rep. Frenz, Co-Chairs, both expressed a desire to get Commission members' input regarding any further information needed to make a recommendation as required by the statutory charge. The Co-Chairs then opened the floor for Commission discussion.

The Commission members discussed the following issues:

- review of the assessment manual;
- levy size and rate of growth;
- combining approaches to get to the most equitable result;
- examination of whether the current system is really broken;
- the impact of local government decisions on property taxes;
- addressing the differing needs of people in different parts of the state;
- examination of other state approaches including Minnesota's Cost of Government report; and
- state versus local control.

Sen. Kenley expressed to the Commission the need to concentrate on their statutory charge. He asked that the member do some critical thinking on the elimination percentages in the statute and be prepared to make recommendations at their future meetings.

IV. Next Meeting Date

The Co-Chairs set the next meeting date for Monday, August 16, 2004.

V. Adjournment

The Co-Chairs adjourned the meeting at 3:25 P.M.